

AGENDA ITEM NO. 34

**CITY OF SAN ANTONIO
HUMAN RESOURCES DEPARTMENT
INTERDEPARTMENTAL CORRESPONDENCE**

TO: Mayor and Council

THROUGH: Terry M. Brechtel, City Manager

FROM: Elisa Peña Bernal, Human Resources Director

COPIES: Travis M. Bishop, Assistant City Manager; City Attorney's Office; Finance Department; File

SUBJECT: PacifiCare/Secure Horizons Contract Extension

DATE: October 16, 2003

SUMMARY AND RECOMMENDATION

This Ordinance authorizes the City Manager or her designee to exercise the option for a one (1) year extension and amendment of the current contract with PacifiCare/Secure Horizons to provide Health Maintenance Organization (HMO) Medicare and non-Medicare service for eligible retirees and their dependents. This contract will be for a one (1) year term beginning January 1, 2004 and ending December 31, 2004 in an estimated amount of \$839,065.

Staff recommends approval of this Ordinance.

BACKGROUND INFORMATION

The City's benefits program offers City retirees and their eligible dependents a fully insured HMO Medicare and non-Medicare medical plan along with a self-funded CitiMed preferred provider organization (PPO) plan option. An HMO Medicare plan option has been offered to City employees since 1979. The current HMO Medicare plan has been administered by PacifiCare/Secure Horizons since January 1, 2001. The original three (3) year contract included a provision for two (2) one (1) year renewal options. This proposed contract extension would be the first optional extension authorized by the original contract.

Prior to recommendation of this contract, a review of PacifiCare/Secure Horizons performance was conducted by a technical committee including representatives from: Finance, City Attorney's Office, and Human Resources. This review included:

- Customer satisfaction: Employee Benefits has few customer complaints during the past three years regarding service. PacifiCare and Secure Horizons plans have received an accreditation status of excellent and commendable from the National Committee for Quality Assurance (NCQA) monitoring the quality of managed care plans.
- Plan benefits: Low member co-payments and unlimited maximums on prescription drug coverage benefit the retirees enrolled in Medicare Part A and B coverage.

- Plan premiums: Secure Horizons Medicare HMO has maintained affordable rates over the three-year contract and has offered the same premiums for the 2004 extension year.

POLICY ANALYSIS

Renewal of this contract will allow for a continued fully insured HMO Medicare and non-Medicare plan to be offered as a choice along with the City's current CitiMed PPO plan for eligible retirees and dependents in the 2004 calendar year. The City's open enrollment period for selection of benefits will be held in November of 2003.

FINANCIAL IMPACT

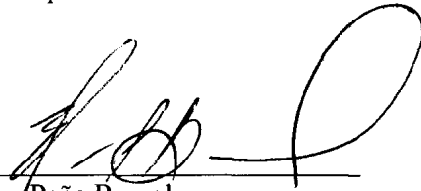
PacificCare Secure Horizons Medicare HMO has agreed to maintain the same premiums without an increase for the 2004 extension contract. Funds in the amount of \$660,628 for nine (9) months are included in the Adopted Budget for Fiscal Year 2003-2004 and \$178,437 for the remaining three (3) months will be authorized in Fiscal Year 2004-2005 contingent upon subsequent funding.

COORDINATION

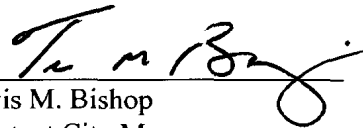
This proposed ordinance has been reviewed and coordinated with the following departments: Human Resources, Finance and the City Attorney's office.

SUPPLEMENTAL COMMENTS

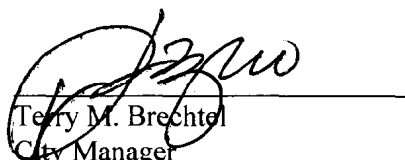
The required Ethics Disclosure Statement is attached.


Elisa Peña Bernal
Human Resources Director


Milo Nitschke
Finance Director


Travis M. Bishop
Assistant City Manager

Approved:


Terry M. Brechtel
City Manager

Attachments

City of San Antonio

Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2

Attach additional sheets if space provided is not sufficient.

State "Not Applicable" for questions that do not apply.

* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

Not applicable.

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

PacifiCare of Texas, Inc.

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

Not applicable.

Note: PacifiCare subcontracts with various providers to provide healthcare services to members.

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

PacifiCare Health Plan Administrators
PacifiCare Behavioral Health
Prescription Solutions

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

Not applicable.

Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
No contributions were made on behalf of PacifiCare.		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Not applicable.

Signature: <i>Madeline Harlan</i>	Title: <i>Director, Legal Operations</i>	Date: <i>8/15/03</i>
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² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

RENEWAL AND EXTENSION OF
HEALTH MAINTENANCE ORGANIZATION CONTRACT

This Renewal and Extension of the HEALTH MAINTENANCE ORGANIZATION CONTRACT, (hereinafter referred to as "CONTRACT"), is entered into by and between the **CITY OF SAN ANTONIO** (hereinafter referred to as "**CITY**"), a Texas Municipal Corporation, acting by and through its City Manager pursuant to Ordinance No. _____, passed and approved on _____, and PacifiCare of Texas, having its principal place of business at 5001 LBJ Freeway, Suite 600, Tower II Building, Dallas, Texas, 75244-6130 (hereinafter referred to as "**VENDOR**"), acting by and through Victor J. Pluto, Vice President of Sales and Marketing for the Southwest Region.

I.

The **CITY** hereby exercises its option to renew and extend the term of the HEALTH MAINTENANCE ORGANIZATION CONTRACT (hereinafter "CONTRACT") for an additional one-year period, such option having been granted to the **CITY** in Section VI, "TERM" and in compliance with Section XXI, "ENTIRE AGREEMENT" of the CONTRACT originally entered into by the **CITY** and **VENDOR**, said CONTRACT having been approved by San Antonio Ordinance No. 92594, passed and approved on September 28, 2000.

II.

Section VI. "TERM" of the CONTRACT is hereby amended to read as follows:

6.1 The term of this CONTRACT shall commence at 12:00 a.m., Central Standard Time, on January 1, 2004, and shall terminate at 11:59 p.m., Central Standard Time, on December 31, 2004. With at least sixty (60) days written notice prior to December 31, 2004, the **CITY** may, at its sole option and through appropriate action of the City Council, have the right to extend the term of this CONTRACT for one (1) additional one (1) year extension subject to the same notice requirement and appropriate action of its City Council. However, the **CITY** may terminate this CONTRACT at any time if funds are restricted, withdrawn, not approved or service is unsatisfactory; it being understood that funds for each calendar year covered by any resulting contract will be requested and, if approved, will be provided as part of the **CITY'S** budget for each fiscal year.

III.

Section II, DESCRIPTION OF SERVICES, subsections 2.11 and 2.12 of the CONTRACT is hereby amended to read as follows:

2.11 The **VENDOR** will arrange to provide HEALTH CARE SERVICES according to the Schedule of Benefits described in **VENDOR'S** Proposal, attached to the original CONTRACT as Exhibit B, with any amendments thereto described in the schedule of benefits attached to this RENEWAL AND EXTENSION OF HEALTH CARE MAINTENANCE ORGANIZATION CONTRACT for the plan year 2004, and the Evidence of Coverage issued to Plan Participants, attached to the original CONTRACT as Exhibit C.

2.12 The **VENDOR's** premium fee schedule for HEALTH CARE SERVICES according to the schedule of benefits attached hereto for enrolled Medicare and non-Medicare retirees and their dependents shall be as follows for the year beginning January 1, 2004 and ending December 31, 2004:

• Retiree only	\$152.25	per month
• Retiree + Spouse, 1 Medicare	\$152.25	per month
• Retiree + Spouse, 2 Medicare	\$304.50	per month
• Retiree + Spouse, 1 Medicare, Dependents	\$152.25	per month
• Retiree + Spouse, 2 Medicare, Dependents	\$304.50	per month

Dependents of Secure Horizons:

• Employee only	\$592.73	per month
• Employee + 1	\$474.19	per month
• Employee + 2 or more	\$1,066.94	per month

If the term of this CONTRACT is extended by the **CITY** as provided in Section 6.1 of the original contract, the premium fee schedule shall be mutually agreed upon by the **CITY** and the **VENDOR**.

III.

All other terms, conditions, covenants, and provisions of the CONTRACT remain in effect save and except for Sections II and VI, which the undersigned parties agree are hereby amended. All said terms, conditions, covenants and provisions herein or as previously agreed to shall comply with all federal, state and local laws and regulations.

EXECUTED this _____ day of _____, 2003.

(EFFECTIVE DATE: January 1, 2004)

CITY OF SAN ANTONIO

PACIFICARE OF TEXAS



Terry M. Brechtel
City Manager

Victor J. Pluto
Vice President, Sales and Marketing
Southwest Region

Approved as to form:



Kathleen Finck
Assistant City Attorney